



Norman H. Bangerter
Governor
Dee C. Hansen
Executive Director
Dianne R. Nielson, Ph.D.
Division Director

State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340

November 20, 1991

Mr. T. M. Tilley
American Gilsonite Company
Bonanza, Utah 84008

Dear Mr. Tilley:

Re: Posting of Replacement Reclamation Surety, American Gilsonite Company (AGC), Bonanza Operations, M/047/010, Uintah County, Utah

The Division has finished reviewing/revising the reclamation surety estimate for AGC's Bonanza operations. A recent site inspection performed by Division staff on October 25, 1991, revealed no major changes in the facilities at the various mine sites and processing plant, from the original 1984 reclamation estimate.

From discussions held on site at that time, AGC committed to provide the Division with an updated version of the disturbed acreage table, describing the mine sites, roads, townsite and plant facilities. This table is to be revised/confirmed annually as part of the annual report, as was agreed to in the approved Mining and Reclamation Plan. The Division has not yet received this table.

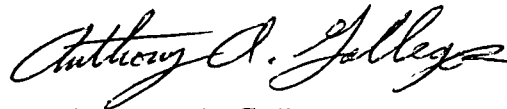
You indicated that some of the mine sites previously scheduled for reclamation were still in operation, while other proposed mine sites had not been created. It was felt that these changes would not affect the overall disturbed acreage estimate for the mine sites, since in effect, the same number of mine sites would be involved. Provided that the updated table substantiates this claim, AGC will need to post the amount described in the Division's November 18, 1991 surety estimate (copy attached).

Please notify the Division regarding the form of surety AGC wishes to post so that we may provide you with the proper forms. A new Reclamation Contract will also need to be completed and submitted along with the new reclamation surety. In order to present this matter at the January 1992 hearing of the Board of Oil, Gas and Mining, the Division will need the surety information no later than January 3, 1992, sooner if possible. Once the Board approves of AGC's amount and form of surety, the old surety will be released. If you have any questions regarding this matter please contact me.

Page 2
American Gilsonite Co.
M/047/010
November 20, 1991

Thank you for your cooperation in completing this permitting action.

Sincerely,

A handwritten signature in cursive script, reading "Anthony A. Gallegos".

Anthony A. Gallegos
Reclamation Engineer

jb
Attachment
cc: John Blake, State Lands & Forestry
Lowell Braxton, DOGM
M047010.1

SURETY ESTIMATE UPDATE

American Gilsonite Company

Bonanza Operations

M/047/010

Uintah County

Prepared by Utah Division of Oil, Gas & Mining

Last Update

November 18, 1991

DESCRIPTION:

- Original estimate proposed by operator in 1984 was \$449,323
- Disturbed area in 1984 estimate was approximately 116 acres
- Original estimate included 15% contingency & no escalation
- Board approved a \$500,000 bond in February 1985 (=> 1990 review)
- This estimate uses the 1984 subtotal of \$390,716 plus 10% as a base cost
- Disturbed area from 1990 annual report = 113 acres
- This surety will be presented to the Board of Oil, Gas & Mining in 1992
- Escalation will be for five years from 1992 (i.e. in 1997 Dollars)
- This surety will need to be reviewed/revised in 1997
- Escalation factors through 1990 are actual Means Historical Cost Indices

<u>CALCULATIONS</u>	<u>YR</u>	<u>ESCAL FACTOR</u>	<u>BOND AMOUNT</u>
$F = P(1 + i)^{**n}$	1983	0.0104	\$0
	1984	0.0092	\$429,788
F = Future Sum	1985	0.0290	\$442,252
P = Present Sum	1986	0.0210	\$451,539
i = Escalation Factor	1987	0.0195	\$460,344
n = number of periods	1988	0.0181	\$468,676
	1989	0.0177	\$476,972
	1990	0.0077	\$480,645
Three Yr Average = 1.45	1991	0.0145	\$487,614
Used to Project 5 Yrs	1992	0.0145	\$494,684
Into the Future	1993	0.0145	\$501,857
From the Year 1991	1994	0.0145	\$509,134
	1995	0.0145	\$516,517
	1996	0.0145	\$524,006
	1997	0.0145	\$531,604

Updated Surety Amount Rounded (1996 \$) \$532,000

-Avg. cost per acre (116 acres)- \$4,586 per acre